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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/054,505	01/22/2002	Patrick Flanery	Flan02.01	4763

7590 02/08/2007
Roger W. Jensen
Roger W. Jensen & Associates, Ltd.
8127 Pennsylvania Circle
Minneapolis, MN 55438

EXAMINER

KHATTAR, RAJESH

ART UNIT	PAPER NUMBER
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3693

SHORTENED STATUTORY PERIOD OF RESPONSE	MAIL DATE	DELIVERY MODE
3 MONTHS	02/08/2007	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

Office Action Summary

Application No.

10/054,505

Applicant(s)

FLANERY, PATRICK

Examiner

Rajesh Khattar

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on Jan. 22, 2002.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-6 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-6 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|---|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

1. Claim 1 is rejected under 35 U.S.C. 103(a) as being unpatentable over Parsons US Patent No. 6,411,939 (herein after Parsons '939) in view of Davis US Patent Application No. 2001/0049612 (herein after Davis '612).

Parsons '939 discloses:

an "S" type corporation, having a purpose of engaging in the business of leasing employee services (col. 22, lines 66-67 and col. 23, lines 1-5).

Parsons '939 also teaches the recruitment of Individual by PLC whereby Individual agrees (i) to be willing to cease providing services to Oldco, and (ii) to provide Services to Oldco as a leased employee of a limited liability company (col. 31, lines 54-65).

Examiner notes that offering to hire Individual and Individual agreeing to accept an offer of employment from LLC for assignment of Individual as a leased employee are the respective steps that are inherent to Parsons '939 teachings of hiring employees for assignment of Individual as a leased employee (col. 31, lines 54-65). Parsons '939 also

discloses that the offer contains a benefit package including a deferred compensation (DC) plan (col. 1, lines 42-54).

Examiner notes that "...agreeing with Oldco to provide Individual as a leased employee to perform Services to Oldco; Individual agreeing to perform Services to Oldco as a leased employee thereof; and Oldco compensating LLC for Services provided by Individual for Oldco" are inherent to the teachings of Parsons '939.

Creating a employee stock ownership plan (ESOP) and transferring ownership of PLC to ESOP is interpreted by examiner as being in compliance under the provisions of IRC 501 to obtain tax exempt status. Therefore, this feature is not necessary novel and hence not patently distinct. If this interpretation is not in line with Applicant's claimed invention, then Examiner invites the Applicant to clearly describe how this feature is patently distinct.

Furthermore, Examiner notes that creating a LLC, a limited liability company, allows business owners to protect personal assets but allow income/losses to flow through the company to the individual members, thus, avoiding double taxation (see reference A, attached). Applicant's claim of creating a LLC with a motivation to protect personal asset and makes use of the tax-efficiencies and operational flexibility are inherent features of any LLC. Examiner, therefore, concludes that these features are commonly used in the business world and Applicant's use to include this feature is not new but is necessary to support applicant's method of deferring compensation.

Additionally, Examiner notes that an LLC can be owned by any combination of individuals or business entities (see reference B, attached). Applicants claim of

ownership allocation of 95% to PLC (a business entity) and 5% to Individual falls within the requirement of an LLC.

Examiner notes that the steps of "allocating all income and expenses of LLC to PLC and Individual....." is within the scope of any LLC and is not patently distinct feature of applicant's invention. Examiner finds support for his interpretation in the attached references B and C. The reference B teaches that LLC members can split profits/losses in any way they choose. The reference C teaches that the advantage of creating LLC is that it allows all business losses, profits, and expenses to flow through the company to the individual members (in this case PLC and the Individual). Examiner encourages the Applicant to clarify how this feature is patently distinct if Applicant's claim is different from Examiner's interpretation.

Parsons '939 does not specifically teach that the insurance premium is paid with deferred employee compensation plan. However, Davis '612 teaches that the insurance premium is paid with deferred employee compensation ([0036]).

Therefore, it would have been obvious for a person having ordinary skills in the art at the time the invention was made to modify the disclosure of Parsons '939 to include the teachings Davis '612. One would have been motivated to do so in order to defer taxes for a highly compensated individual.

2. Regarding claims 2 and 5, Parsons discloses that the deferred compensation plan is funded with a life insurance policy and is a non-qualified, deferred compensation plan (col. 26, lines 8-10).

3. Claim 3 is rejected under 35 U.S.C. 103(a) as unpatentable over Parsons '939 in view of Davis '612 and further in view of DiCresce US Patent No. 5,991,744 (herein after DiCresce '744). Parsons '939 and Davis '612 teach the limitations as explained above. Davis '612 also teaches that the Individual has the right to "cash out" the policy ([0041]). Davis '612 does not specifically teach how the cash out terms are structured. Examiner notes that structuring a buy out at a cost equal to the net book value of LLC plus an irrevocable assignment of said death benefit is clearly an aesthetic design change (see MPEP § 2144.04). The design change that relates to ornamentation only and have no mechanical function cannot be relied upon to patentably distinguish the claimed invention from the prior art.

Moreover, Parsons '939 and Davis '612 fail to specifically teach that the death benefit being dedicated to cover deferred compensation liability. However, DiCresce '744 teaches splitting employees death benefits to recover the cost of providing these benefits (col. 12, lines 45-55).

Therefore, it would have been obvious for a person having ordinary skills in the art at the time the invention was made to modify the disclosure of Parsons '939 and Davis '612 to include the teaching of DiCresce '744. One would have been motivated to do so in order to recover the cost of providing these benefits.

4. Claims 4 and 6 are rejected under 35 U.S.C. 103(a) as unpatentable over Parsons '939 in view of Davis '612 and further in view of Bell 6,161,096 (herein after Bell '096). Parsons '939 and Davis '612 teach the subject matter as described above. Parsons '939 and Davis '612 fail to disclose that the deferred compensation may be

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placed into a Rabbi Trust. Bell '096 teaches that the deferred compensation may be placed into a Rabbi Trust and administered using a similar life insurance policy (col. 10, lines 52-65). The feature that the investment vehicle is an asset held in trust by a Rabbi Trust is inherent to the creation of Rabbi Trust that protects the money placed in it (see reference D, attached).

Conclusion

5. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Rajesh Khattar whose telephone number is 571-272-7981. The examiner can normally be reached on M-Th 8-5.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

RK

Jan. 24, 2007

Requirement For Information

Applicant and the assignee of this application are required under 37 CFR 1.105 to provide the following information that the examiner has determined is reasonably necessary to the examination of this application.

Applicant disclosed that prior art (page 1, lines 20-24) for deferring compensation had serious shortcomings but failed to disclose the citation in the specification or Information Disclosure Statement (IDS). In response to this requirement, please provide the title, citation and copy of each publication that is a source used for the description of the prior art in the disclosure. For each publication, please provide a concise explanation of that publication's contribution to the description of the prior art.

This requirement is an attachment of the enclosed Office action. A complete reply to the enclosed Office action must include a complete reply to this requirement. The time period for reply to this requirement coincides with the time period for reply to the enclosed Office action.

RK
Jan. 24, 2007

 1/29/07
James Kramer